



4810-39-P

DEPARTMENT OF THE TREASURY

[Docket No. BPD-2012-001]

Public Input on the Development and Potential Issuance of Treasury Floating Rate Notes.

AGENCY: Office of the Assistant Secretary for Financial Markets, Treasury.

ACTION: Notice and request for information.

SUMMARY: The Secretary of the Treasury ("Secretary") is authorized under Chapter 31 of Title 31, United States Code, to issue United States obligations and to offer them for sale under such terms and conditions as the Secretary may prescribe. The Department of the Treasury ("Treasury") is requesting comments on the potential issuance of a floating rate note. Treasury is particularly interested in comments concerning the demand for the product, how the security should be structured, its liquidity, and any operational issues that should be considered relating to the issuance of this type of debt. Treasury has not made a decision to issue floating rate notes. Treasury will continue to weigh the relative merits of issuing floating rate notes, and comments received as part of this Request for Information will serve as valuable input into this decision.

DATES: Submit comments on or before [INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].

ADDRESSES: Comments may be submitted electronically through the Federal eRulemaking Portal at <http://www.regulations.gov>, in accordance with the instructions. Comments will be available at <http://www.regulations.gov> as submitted, unless modified for technical reasons. Accordingly, your comments will not be edited to remove any identifying or contact information. You may download this Request for Information from <http://www.regulations.gov> or the Bureau of the Public Debt's website at

<http://www.treasurydirect.gov>. You may also send paper comments to Department of the Treasury, Bureau of the Public Debt, Government Securities Regulations Staff, 799 9th Street, N.W., Washington, D.C. 20239-0001. Comments received will be available for public inspection and copying at the Treasury Department Library, Main Treasury Building, 1500 Pennsylvania Avenue N.W., Washington, D.C. 20220. To visit the library, call (202) 622-0990 for an appointment. In general, comments received, including attachments and other supporting materials, are part of the public record and are available to the public. Do not submit any information in your comments or supporting materials that you consider confidential or inappropriate for public disclosure.

Responses should also include: (1) the data or rationale, including examples, supporting any opinions or conclusions; (2) alternative approaches and options that should be considered, if any; and, (3) any specific comments regarding general terms and conditions for the sale and issuance of floating rate notes.

FOR FURTHER INFORMATION CONTACT: Lori Santamorena, Executive Director; Kurt Eidemiller, Associate Director; or Kevin Hawkins, Government Securities Advisor; Department of the Treasury, Bureau of the Public Debt, Government Securities Regulations Staff, (202) 504-3632.

SUPPLEMENTARY INFORMATION:

I. Background

Treasury continually seeks ways to minimize borrowing costs, better manage its liability profile, enhance market liquidity, and expand the investor base in Treasury securities. To help meet these objectives, Treasury announced at its February 2012 Quarterly Refunding that it continues to study the possibility of issuing floating rate notes

(FRNs), a security with a return that is indexed and periodically reset. Examining alternative forms and structures of debt issuance is consistent with Treasury's mission of financing the government at the lowest cost over time. Treasury has discussed the issuance of FRNs with the Treasury Borrowing Advisory Committee (TBAC), which is a federal advisory committee sponsored by the Securities Industry and Financial Markets Association (SIFMA), and with the primary dealers. These discussions have provided a significant amount of constructive feedback. However, prior to making a decision, Treasury is soliciting a broader range of input from a variety of market participants on demand for the product and its liquidity, as well as structural and operational issues that Treasury should consider.

II. Solicitation for Comments

Commenters are invited to submit views on the following questions:

1. Would FRNs attract new investors into the Treasury market for a sustained period of time?
2. Would a Treasury FRN help meet the investment needs of retail and institutional investors?
3. How liquid would you expect FRNs to be in the secondary markets?
4. What is the ideal structure for a Treasury FRN?
 - a. What is the ideal final maturity for a Treasury FRN?
 - b. What are the pros and cons of using the following reference rates for a Treasury FRN: Treasury bills, a Treasury general collateral-based repurchase agreement (“repo”) rate, and the federal funds effective rate?

Are there any other reference rates that merit consideration?

- c. What would be the appropriate coupon payment frequency of a Treasury FRN?
- 5. What changes to trading, settlement and accounting systems would be needed to accommodate FRNs?
- 6. Are there any other operational issues that Treasury should be aware of when deciding on whether to issue FRNs?
- 7. Given the above considerations, are FRNs a useful debt management tool that Treasury should consider?

Mary J. Miller

Assistant Secretary for Financial Markets.

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